

~~SECRET~~

CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

Attachment
AD/NE Memo to DCI
25 Jan 1954

CURRENT SOVIET POLICY*

1. This paper examines Soviet policy since Stalin's death and reviews our main conclusions** concerning Soviet capabilities and probable courses of action through mid-1955.

Stability of the New Regime

2. We believe the present Soviet regime is firmly in power. There appears to be a considerable degree of "collective" responsibility among the top four or five Soviet leaders, but Malenkov is the most influential member of the group. The growing prominence of N. S. Khrushchev, particularly in Communist Party matters, has given rise to suggestions of potential conflict between Malenkov and Khrushchev, but they are as yet insubstantial. The credence given these suggestions mostly stems from the general premise, which we accept, that personal power rivalries are endemic in the Soviet system of government. However this may be, we believe that the new Soviet regime, having coped with the delicate problem of Beria's removal from power, will be able to resolve leadership dis-

* This is an estimate prepared by the BOARD OF NATIONAL ESTIMATES of the CENTRAL INTELLIGENCE AGENCY. The estimate has not been coordinated with any member of the IAC.

** These conclusions are in NIE-90, "Soviet Bloc Capabilities through Mid-1955," published 18 August 1953, and NIE-95, "Probable Soviet Bloc Courses of Action through Mid-1955," published 25 September 1953.

~~SECRET~~

~~SECRET~~

bilities relative to those of the West as sufficient to warrant deliberate initiation of general war. We further believe that Bloc leaders will try to avoid courses of action which in their judgment might involve substantial risk of general war.

5. While its basic objectives and its basic attitude toward general war appear to be unchanged since Stalin's day, the new Soviet regime has introduced or placed sharply increased emphasis on policies materially altering both the pattern of the Soviet economy and the diplomatic face which the USSR presents to the non-Communist world.

Economic Policy

6. The Soviet leaders have effected a shift in economic policy whereby the previous extreme emphasis on development of heavy industry is being modified in order to achieve a more balanced pattern of economic growth. The program for the next two years (1954-55) calls for substantial increases in agricultural output, especially of higher quality foodstuffs such as meat and dairy products, to be brought about mainly by greater investment in mechanization and in chemical fertilizers, measures to check the movement of skilled agricultural labor from farms to industry, and increased payments for farm products. In addition a rise in the production of other consumer items, particularly higher quality textiles and durable goods, is scheduled. As a result of the new consumer goods program, the percentage of the Soviet gross national product (GNP) allotted

~~SECRET~~

~~SECRET~~

to consumption probably will remain constant during the next two years, the absolute amount of consumer goods increasing at about the same rate as total GNP (about 6.5 percent annually). This marks a change from the previous three years, in which the percentage allotted to consumption had gradually declined, the absolute amount of consumer goods having increased at a slower rate than total GNP.

7. The Soviet leaders appear to have recognized that Soviet industry now rests on an inadequate agricultural base, especially in terms of foodstuffs. Soviet industrial growth in the past has depended heavily on large transfers of manpower from the countryside to the cities and on state requisition of an increasing share of agricultural output. This policy has reached a point of diminishing returns, having resulted in a shortage of skilled manpower in the countryside, lack of incentive for efficient agricultural production, and a severe strain on the system of urban food supply. Inadequate agricultural production has been a contributing factor to the slowdown in the rate of growth of industrial labor productivity. If uncorrected, Stalinist policies would have retarded the long-range growth of Soviet industry. The new economic program, in promising to raise the Soviet standard of living, aims at providing the incentive for increasing the urban food supply and steadily increasing labor productivity in Soviet industry. A by-product of the new policy may be increased popularity of the regime, but we believe the main aim is to balance the economy so that the USSR can steadily and rapidly develop its total strength to rival and eventually surpass the US.

~~SECRET~~

~~SECRET~~

8. The new economic program as planned will be accompanied by a levelling-off through 1955 of the high rates of increase in military production maintained in the 1950-52 period. The rate of increase of military production in 1953 over the previous year has already dropped to less than half of the annual increase throughout 1950-52. Judging simply by planned budgetary allotments, which give at least an indication of the order of magnitude of all military production, the rate of increase for 1953-55 will be in the neighborhood of four percent annually, as contrasted with more than twenty-five percent annually in the 1950-52 period. In 1954 and 1955, in view of this reduced rate of growth, there probably will be selective cutbacks in the production of conventional armaments, many types of which are already stockpiled in great quantity. If these cutbacks occur, military procurement, even at the 1953-55 rate, will still permit the maintenance of the Soviet armed forces at present high levels and will allow a continuous qualitative improvement in weapons and equipment.

Foreign Trade

9. The new Soviet economic plan calls for substantially greater increases in consumption than are provided in scheduled increases in Soviet production of consumer goods. Presumably as a measure to help fill this gap, the USSR appears to be modifying its trade policy toward the non-Communist world. Although the level of actual Soviet trade with the non-Communist countries continued to decline in the first part of

~~SECRET~~

1953, the increase in the number of trade agreements concluded by the USSR in 1953 points to a moderate expansion of Soviet trade in 1954 compared with the 1951-52 period. The trade agreements and contracts also indicate an intent to emphasize consumer goods imports as an element in this trade, probably to help achieve the new domestic consumption goals. To finance this import program, Soviet exports are scheduled to expand substantially over 1952, both in old and new markets. In addition, gold sales abroad have increased markedly in the last quarter of 1953, almost certainly in order to offset balance-of-payments difficulties in launching the import program.

Foreign Policy

10. Soviet foreign policy has changed less than Soviet economic policy since Stalin's death, but here too there has been a shift of emphasis and an increase of skill. The USSR has adroitly adjusted its diplomatic and propaganda line in an effort to persuade the world that the Kremlin sincerely wishes to relax international tension. Acceptance of an armistice in Korea in the spring of 1953 set the stage and gave verisimilitude to this propaganda performance.

11. Despite this effort to demonstrate Soviet peaceful intentions and good will in Soviet foreign policy, the Kremlin has avoided settling any of its major conflicts of strategic interests with the Western Powers at the cost of giving up substantial strategic advantages now

~~SECRET~~

~~SECRET~~

enjoyed by the USSR. The new diplomatic face presented to the outside world since Stalin's death is designed, we believe, to relax international tensions just enough to confuse the free world as to ultimate Soviet aims and to provide the Soviet Bloc with assurance that it can for a time safely turn attention to the domestic economic problems now preoccupying it.

12. The Kremlin probably hopes by its new tactics to relax the vigilance of some of the Western powers, foster dissension between the US and its allies, and weaken Western inclination to maintain armed strength at high levels. To this end Soviet leaders may make proposals that are plausible on the surface but which the Kremlin knows are incompatible with free world security interests and therefore unacceptable to the US. Such schemes might include a plan for a system of bilateral pacts guaranteeing European security, implicit in which would be the exclusion of US forces and influence from the Continent. They almost certainly will include the time-honored Soviet proposal for a German settlement on terms that would leave the present East German regime in control of territory it now governs and would place its representatives in a position to sabotage the government of a united Germany and perhaps eventually to seize power.

13. Such proposals notwithstanding, we believe the Kremlin is determined to reject all Western proposals for settlements that would require the sacrifice of Soviet control in advanced positions such as

~~SECRET~~

~~SECRET~~

Eastern Germany, Austria, and North Korea. While Soviet leaders are aware that this unyielding stand places them at some propaganda disadvantage, they seem to hope to offset it by sheer volume of protestations in favor of international negotiations. Evidently they believe that the present world balance of power is, at the worst, not unfavorable to basic Soviet Bloc strategic interests and that this balance will eventually be altered in Soviet favor by serious splits among the non-Communist nations.

Conclusion

14. In general, Soviet policy since Stalin's death reflects a systematic change in tactics, though not of basic objectives. Stalin apparently believed in maintaining strong Soviet pressure against the West and in proceeding under forced-draft to build up maximum strength in heavy industrial output, war material, and military manpower. The Soviet people thus were forced to build and maintain this economic and military power with a minimum of satisfaction of their individual needs as consumers.

15. The new regime probably has recognized that the old policy was frightening the states of the capitalist world into united defensive measures instead of encouraging their rivalries. It almost certainly has recognized that the old policy led to unbalance in the pattern of Soviet economic growth, which in time would retard long-range

~~SECRET~~

development. Beyond this, the new Soviet leaders may have lacked confidence that they could deal with the internal strains or, possibly, with the international risks which the Stalinist policy entailed. On balance, however, we believe that the new policies stem less from apprehension over internal strains or weaknesses than from a belief that the stresses under which the Communist population has been kept are working against the best long-range interests of the USSR.

16. From all this we can conclude that the new Soviet leaders, for the next two years at least, are likely to concentrate on the gradual build-up of the industrial and military strength of the Soviet Bloc and to avoid major adventures abroad. Evidently they believe that the present balance of world power is -- at worst -- not unfavorable to basic Soviet strategic interests. In any case they probably believe that the cumulative development of strength within the Bloc, coupled with serious conflicts among non-Communist nations, will in the long run turn the balance of world power in favor of the USSR and open the way for expansion of the area of Soviet control.

- 9 -

~~SECRET~~